

Nestar: Leading the Networking Systems Pack

PALO ALTO — At a time when computer networking systems are still not widely employed in the marketplace, a local company claims to be one of the industry's first success stories.

Nestar Systems Inc., a Palo Alto-based company that designs and develops networking equipment, says it has grown at an annual rate of 200 percent since it shipped its first products in 1979.

"By the end of October, we will be in the \$15 million range," said Nestar President Charles Hart. "We're targeting 1985 at approximately \$25-30 million."

Nestar, founded in 1978 by former IBM scientist Dr. Harry Sall, was one of the first companies to produce local area networks (LANs). Sall and other networking pioneers believed that computer users would one day need to share information in an integrated fashion.

He developed hardware links, peripherals and application programs that could connect, share and distribute information. Hence, LANs are individual computers that are interconnected in order to communicate with each other and share network resources such as mass storage units, printers and modems for communication over telephones.

Nestar's success has been particularly remarkable in a high-tech area that has yet to take off. Five years after Sall and his competitors made their debuts, very few PCs are currently linked together. Business analysts point to several factors for its apparent lack of popularity: networking is difficult to support and install; profit margins are lower for equipment dealers and distributors; appropriate software has been minimal, and IBM has failed to embrace the networking arena whole-heartedly.

But, according to these same analysts, the future looks a lot better. This year a Texas computer magazine says that LAN suppliers in the United States will ship 19,000 networks for interconnecting PCs and related peripherals for a total of \$156 million. By 1988, vendors will ship 166,000 PC LANs worth \$158 billion.

President Hart, who assumed his position in August 1983, believes that Nestar is unique because of its accompanying software packages. He says that Nestar is the first LANs company to offer a "suite" of sophisticated networking software.

Its operating system software gives the user access to shared storage for all stations using the system and provides the following functions: password protection, error-checking and recovery, controlled access to files, multiple printer support on a single server, and the means to automatically transfer files between separate local networks connected by telephone lines.

Its application software — known as PlanPak — is a series of five application packages and consists of the most widely used business software applications. This includes word processing with an integrated spelling checker, a spreadsheet with graphics, an electronic mail system and a complete account-

ing package ranging from general ledger to inventory.

Hart believes that Nestar's software even separates his company from personal computer manufacturers.

"They just don't have the expertise at this point in terms of software development."

Nestar also says its success revolves around its marketing techniques. Unlike most networking suppliers, the Palo Alto company has ruled out the dealer/distributor route altogether.

"We've taken an approach to provide a service in terms of direct sales. These are things that most networking companies haven't done because they sell through a third party," Hart said.

With their direct sales approach, Nestar has attracted a long line of corporate giants. A partial list includes AT&T, Bank of America, Bristol-Meyers, Honeywell, IBM, Merrill Lynch, U.S. General Services Administration, UCLA Medical Center and Union Oil Corp.

The systems that they offer include the following:

- The Plan 2000 supports as few as two and as many as 64 user stations, and one or two IBM
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PC fixed disk drives on each disk server PC. They refer to this series as an entry level product.

- The Plan 3000 File Server is a mid-sized system typically supporting five to 15 users, with a maximum of 255 stations. It is available with disk capacities of 15 to 56 megabytes. Its average sales price is \$14,000.

- The Plan 4000 File Server is Nestar's mainstay and described as the most powerful LAN system for personal computers in the industry to date. It typically supports from 10 to 100 users, and has a maximum of 255 stations. It has up to four disks of 60 and 137 megabyte capacities each, and a single file server can provide up to 548 megabytes of storage. But since a network can have multiple file servers, its storage is virtually unlimited. Its average sales price is \$24,000.

Last January, Nestar's financial future was strengthened after it merged with Zynar, a London company owned by the Rank Or-

ganization. Currently, Rank, which also acts as a joint marketer for Xerox Corp., is said to own 80 percent of the company.

Overseas sales have now reached a point where almost 50 percent of Nestar's products are sold outside the United States. Nevertheless, all research and manufacturing will continue to be done by the company's 80 Palo Alto employees.

And they will continue to design systems geared for IBM personal computers and their compatibles (Compac, Columbia, Eagle, etc.), and Apple IIs. Although Nestar initially designed its products with Apple computers in mind, it has since switched its focus to IBM. Company officials say that IBM's popularity among corporations has made it a better market.

"A year and a half ago, 90 percent of our business was Apple-based. Now 90 percent of our business is IBM," said Hart. "We've made a decision not to be tied to any one manufacturer, and will go where the action is."

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